



STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF FINANCIAL EXAMINATION

of

UNIVERSITY OF UTAH HEALTH INSURANCE PLANS

of

Murray, Utah

as of

December 31, 2021



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May 17, 2023

Honorable Jonathan T. Pike, Insurance Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

UNIVERSITY OF UTAH HEALTH INSURANCE PLANS
Murray, Utah

hereinafter referred to in this report as “the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Company. This is the second full-scope examination of the Company since inception and covers the period of January 1, 2019, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There are no significant findings for inclusion in this report.

COMPANY HISTORY

General

The Company is a licensed non-profit health service insurance corporation that writes individual and large group health insurance products, Medicare Advantage products, and is a licensed third party administrator. The Company was organized at the end of 2014 through a capital contribution from the University of Utah, its ultimate parent company.

Mergers and Acquisitions

On December 31, 2020, with the Department's approval, the Company became 100% owner of Health Choice Utah, Inc. as the result of an acquisition.

No other mergers or acquisitions took place during the examination period.

Dividends and Capital Contributions

The Company did not declare or pay any dividends during the examination period.

The Company received a capital contribution of \$10M in 2020 from its upstream holding company parent, University of Utah Health Plans (UUHP). In 2021, the Company's quarterly

obligation to UUHP was converted to a \$29M Surplus Note which was issued to the University of Utah, on behalf of UUHP. In 2022, the Company issued another \$25M Surplus Note to the University of Utah (see SUBSEQUENT EVENTS).

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The bylaws of the Company state that the number of directors constituting the Board of Directors shall be not less than five (5) and not more than nine (9) directors. The following persons served as directors of the Company as of December 31, 2021:

Name and Location	Principal Occupation
Michael L. Good, MD <i>Salt Lake City, UT</i>	Board Chair <i>Senior VP of Health Sciences at University of Utah</i>
Samuel Finlayson, MD <i>Salt Lake City, UT</i>	AVP for Clinical Affairs and Chief Clinical Officer <i>U of U Health</i>
Michael D. Bahr <i>Highland, UT</i>	CEO MDB Companies <i>Former SVP Aetna</i>
Patricia A. Ross <i>Salt Lake City, UT</i>	Audit Committee Chair <i>Chief Strategic Officer Office of the U of U President</i>
Rod L. Betit <i>Washington, UT</i>	Former CEO Utah Hospital Association and Executive Director <i>Utah Department of Health</i>
James S. Jardine <i>Salt Lake City, UT</i>	Attorney <i>Ray Quinney & Nebeker</i>
Natalie Gochnour <i>Murray, UT</i>	Associate Dean of David Eccles School of Business and Director <i>of Gardner Policy Institute</i>
Rep. Angela Y. Romero <i>Salt Lake City, UT</i>	Utah House of Representative and Community Programs <i>Manager-Salt Lake Corp.</i>
Sen. Evan J. Vickers <i>Cedar City, UT</i>	Utah State Senator and Pharmacist

Committees

Composition of the Audit Committee as of December 31, 2021, was as follows:

Audit Committee
Patricia A. Ross, <i>Chair</i>
Samuel Finlayson, MD
Rod L. Betit

Officers

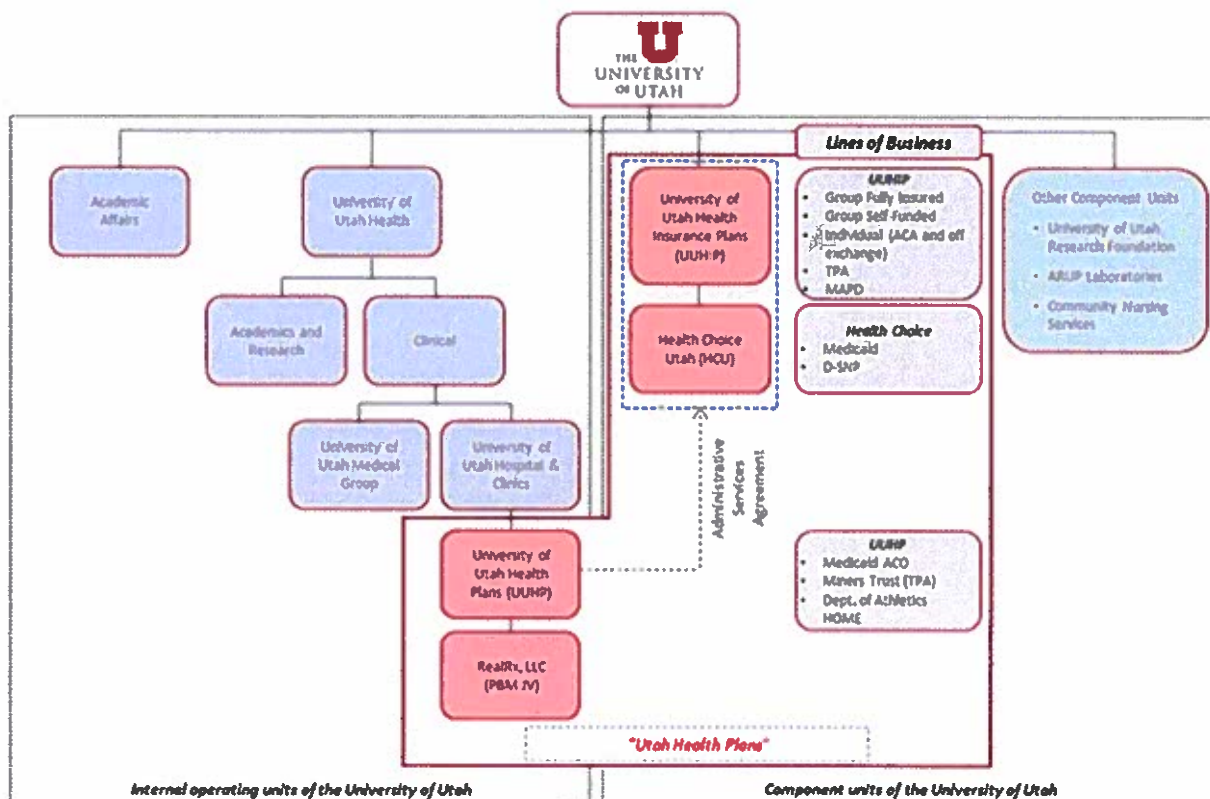
The following persons served as officers of the Company as of December 31, 2021:

Name	Title
Chad J. Westover	Chief Executive Officer
Douglas S. Finlinson	Chief Financial Officer
Lisa K. Fallert	Chief Operating Officer
Brian C. Watts, JD	Secretary/Deputy General Counsel

Holding Company

The Company is an affiliate of the University of Utah, a body politic and corporate of the State of Utah. The following is an organizational chart illustrating the holding company system as of December 31, 2021:

Holding Company Structure Insurance Company Structure



Transactions and Agreements with Affiliates

The following agreement was in place as of the date of this examination report:

Administrative Services Agreement

On January 1, 2015, the Company entered into an Administrative Services Agreement with UUHC wherein UUHC provides the following services:

- Enrollment & Disenrollment
- Marketing
- Care Management and Quality Assurance
- Provider Relations
- Claims Processing and Customer Service
- Information Services
- Financial and Actuarial Services
- Management Support
- Personnel
- Facilities, Equipment, and Supplies
- Records and Software Systems

The Company is responsible for all direct and indirect expenses incurred by UUHC in performing these services and is invoiced monthly.

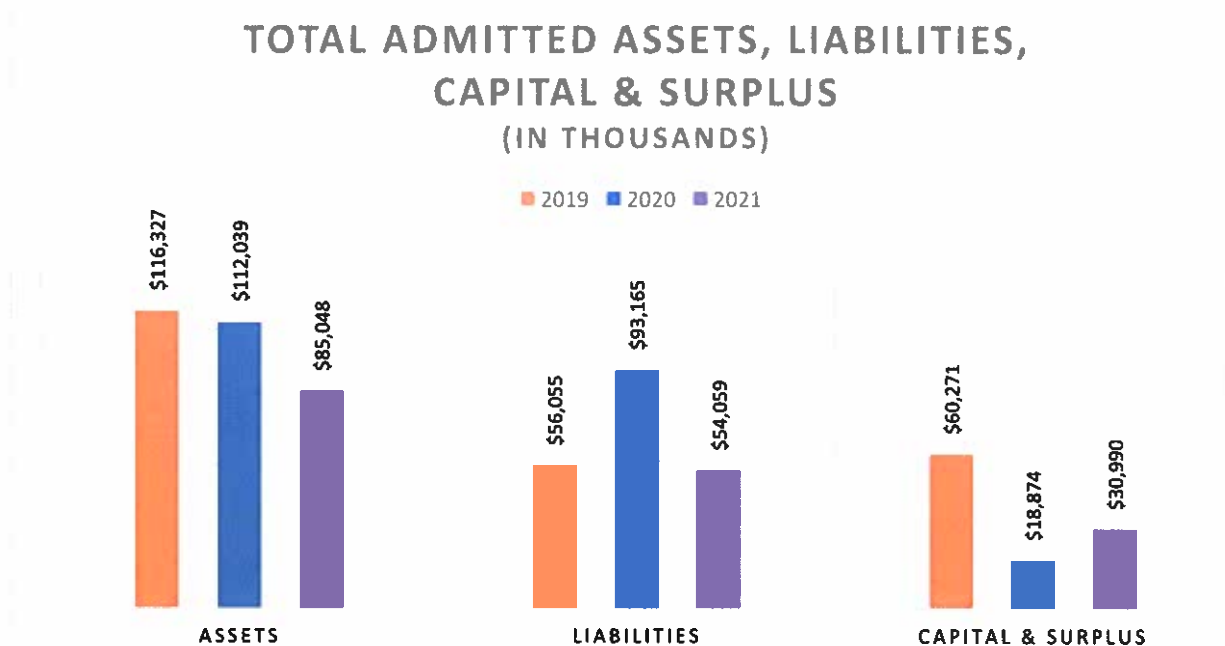
TERRITORY AND PLAN OF OPERATIONS

The Company is currently licensed to conduct health insurance business in the State of Utah and offers large group, individual, and Medicare Advantage coverage. The individual health product is sold through the Federal Health Insurance Exchange. The Company started offering health insurance coverage as of January 1, 2016. The Company also provides third party administrative services to employers with self-funded plans.

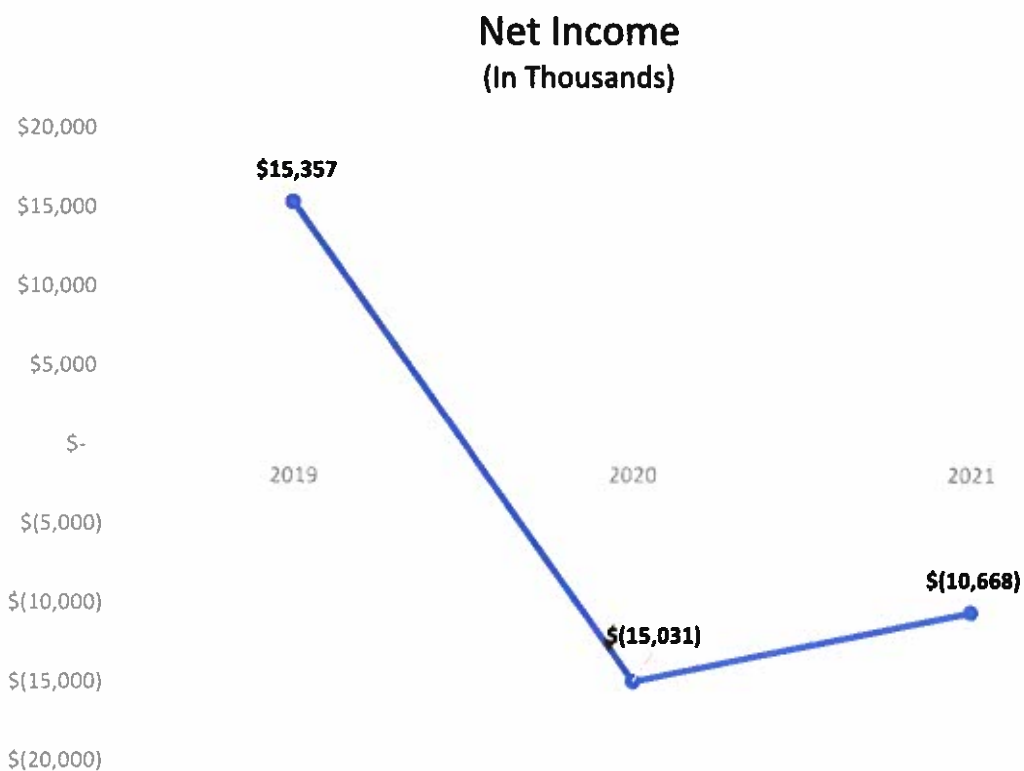
GROWTH OF COMPANY

The Company's assets, capital and surplus, and net income all decreased in 2020 due to adverse claims experiences and a drop in the sales of its large group product line. Assets further decreased in 2021, while capital and surplus, and net income (though still negative), improved in 2021.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2019 – 2021 Annual Statements



Sources: 2019 – 2021 Annual Statements

REINSURANCE

Assumed

The Company does not assume any reinsurance.

Ceded

The Company has an active reinsurance agreement with Swiss Re Life & Health America Inc. The reinsurance contract covered services included, all health care supplies, treatments and/or services provided to a covered member within the terms and provisions of the Membership Service Agreement or Policy for which the reinsurer has agreed to provide reinsurance coverage pursuant to the terms of this Agreement. Only services incurred during the agreement period are eligible losses.

The Company retains the following retention limits during the agreement period for each covered member:

- Commercial Individual Exchange – \$600,000 of net loss incurred per covered member per agreement period.
- Commercial Large Group – \$600,000 of net loss incurred per covered member per agreement period.
- The Company also retains 10% of net loss incurred by the Company on each covered member, in excess of the Company Retention Limit specified above, each agreement period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**UNIVERSITY OF UTAH HEALTH INSURANCE PLANS
BALANCE SHEET (Amended)**

as of December 31, 2021

ASSETS

	<u>Net Admitted Assets</u>
Bonds	\$15,808,566
Preferred stocks	9,465,057
Common stocks	19,907,434
Cash, cash equivalents and short-term investments	9,216,522
Investment income due and accrued	67,822
Uncollected premiums and agents' balances in the course of collection	82,627
Accrued retrospective premiums	22,138,195
Amounts recoverable from reinsurers	1,547,307
Amounts receivable related to uninsured plans	152,171
Current federal and foreign income tax recoverable and interest thereon	4,407,250
Receivables from parent, subsidiaries and affiliates	39,727
Healthcare and other amounts receivable	<u>2,215,650</u>
Total Assets	<u>\$85,048,328</u>

UNIVERSITY OF UTAH HEALTH INSURANCE PLANS
BALANCE SHEET (Amended, Cont.)
as of December 31, 2021

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Current Year</u>
Claims unpaid	\$ 10,821,052
Unpaid claims adjustment expenses	1,118,315
Aggregate health policy reserves	15,044,532
Premiums received in advance	2,201,324
General expenses due or accrued	1,290,658
Amounts withheld or retained by company for account of others	64,592
Amounts due to parent, subsidiaries and affiliates	22,734,022
Liability for amounts held under uninsured plans	<u>784,157</u>
Total Liabilities	54,058,652
 Gross paid in and contributed surplus	 34,000,009
Surplus notes	29,000,000
Unassigned funds (surplus)	<u>(32,010,333)</u>
Total Capital & Surplus	<u>30,989,676</u>
Total Liabilities, Surplus and Other Funds	<u>\$85,048,328</u>

UNIVERSITY OF UTAH HEALTH INSURANCE PLANS
STATEMENT OF INCOME (Amended)
for the Year-Ended December 31, 2021

	<u>Current Year</u>
Member Months	237,681
Net premium income	\$128,471,414
Aggregate write-ins for other health care related revenues	998,185
Total revenues	<u>129,469,599</u>
 Hospital/medical benefits	 88,000,855
Other professional services	1,025,168
Outside referrals	1,355,272
Emergency room and out-of-area	8,401,578
Prescription drugs	30,925,020
Subtotal	<u>129,707,893</u>
Net reinsurance recoveries	2,579,149
Total hospital and medical	<u>127,128,744</u>
Claim adjustment expenses	5,052,383
General administrative expenses	16,058,223
Increase in reserves for life and accident and health contracts	5,771,293
Total underwriting deductions	<u>154,010,643</u>
Net underwriting gain or (loss)	(24,541,044)
 Net investment income earned	 12,588,576
Net realized capital gains (losses)	1,014,807
Net investment gains (losses)	13,603,383
Net gain or (loss) from agents' or premium balances charge	(79,033)
Aggregate write-ins for other income or expenses	(1,430,787)
Net income or (loss) after capital gains tax and before all other federal income taxes	(12,447,781)
Federal and foreign income taxes incurred	(1,779,900)
Net income (loss)	<u>\$ (10,667,581)</u>

UNIVERSITY OF UTAH HEALTH INSURANCE PLANS
RECONCILIATION OF CAPITAL AND SURPLUS

2019 through 2021

	2019	2020	2021
Capital and surplus, December 31, prior year	<u>\$44,089,063</u>	<u>\$60,271,471</u>	<u>\$18,873,604</u>
Net income	15,356,839	(15,031,249)	(10,667,581)
Change in net unrealized capital gains (losses)	884,116	668,478	(8,192,874)
Change in net deferred income tax	(36,958)	246,432	(11,307,628)
Change in nonadmitted assets	(5,727)	(41,943,907)	13,551,020
Change in surplus notes	-	-	29,000,000
Surplus adjustments – Paid in	-	10,000,000	-
Aggregate write-ins for gains or (losses) in surplus	(15,862)	4,662,379	(266,865)
Net change in capital and surplus	<u>16,182,408</u>	<u>(41,397,867)</u>	<u>12,116,072</u>
Capital and surplus, end of reporting period	<u><u>\$60,271,471</u></u>	<u><u>\$18,873,604</u></u>	<u><u>\$30,989,676</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2021, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

There are no comments on financial statement items as of December 31, 2021, as a result of the examination.

SUBSEQUENT EVENTS

In September 2022, the Company issued a surplus note in the amount of \$25M to the University of Utah, on behalf of its University of Utah Health Plans (UUHP).

ACKNOWLEDGEMENT

Mike Presley, FSA, MAAA, Lead Consulting Actuary, of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Joanna Latham, AES, CISA, CRISC, CFE, CPA, IT Specialist, of Jennan Enterprises, LLC, performed the information systems review. Malis Rasmussen, CFE, SPIR, MSA Chief Financial Examiner, supervised the examination. Madison Brown, Financial Examiner, of the Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, CFE, APIR, MSA
Examiner-in-Charge
Utah Insurance Department